MINUTES

STATE OF WASHINGTON

ENERGY FACILITY SITE EVALUATION COUNCIL

December 13, 1999 – Regular Meeting

WSU Building - Conference Room 308 925 Plum Street SW, Bldg 4 Olympia, Washington

Item 1: Call to Order

The meeting was called to order at 1:30 p.m. by Chair Deborah Ross. A quorum was present.

Item 2: Roll Call

ChairDeborah RossDepartment of AgricultureDaniel JemelkaDepartment of Community, Trade, andHeather Ballash

Economic Development

Department of Ecology
Department of Fish & Wildlife
Department of Health
Military Department
Department of Transportation

Charles Carelli
Jenene Ratassepp
Ellen Haars
Diane Offord
Gary Ray

Utilities & Transportation Commission C. Robert Wallis

Others in Attendance

EFSEC Staff Energy Northwest

Allen Fiksdal Bill Kiel
Mike Mills Doug Coleman
Irina Makarow Laura Schinnell

Diane Burnett

Jones & Stokes Associates

Assistant Attorney General Grant Bailey (via phone)

Meredith Morton

Counsel for the Environment (Sumas 2)

Chehalis Power Mary Barrett

Paul Margaritis

Guests

Dames & MooreAlex Piliaris and Alan Newman, Ecology

Katy Chaney Cindy Custer, BPA

John Mudge and Rose Spogen, Critical Issues

Council

Item 3: Approval of Minutes

The draft minutes from the November 8, 1999, Council meeting were approved, with several minor corrections.

Item 4: Adoption of Proposed Agenda

The proposed agenda was adopted.

Item 5: Sumas 2 Generation Facility, Application No. 99-1

Extension of Processing Time

(Allen Fiksdal reporting)

Staff reported on a letter the Council received from Sumas Energy 2 (SE2) Inc., requesting that the Council extend their review time for processing the Sumas 2 Generation Facility project application. SE2 had originally submitted an application in January of 1999; under RCW 80.50 there is a provision that the Council make a recommendation to the Governor within a year of receipt of the application, unless an extension is mutually agreed upon. SE2 has asked the Council to extend the processing time for twelve months and staff recommended that the Council do so. The Council agreed to extend the review time for Sumas 2 Generation Facility.

Staff also reported on a second letter received from Sumas Energy 2 Inc., which was in response to a letter from staff regarding the budget. The letter authorized a new Council budget amount, \$506,650, for processing the Sumas application.

Ecology Air Contract - Time Extension

(Allen Fiksdal reporting)

Staff reported on the Ecology Air Contract, which EFSEC has with the department for air permitting services related to the Sumas project. When the contract was originally entered into it had a termination date of December 31, 1999. Ecology's evaluation will have to be extended to include a review of air quality modeling performed by the applicant, and additional air emissions and control changes brought about by project design modifications. The sum of \$7,000 originally made available for Tier 2 review will be reallocated to additional basic review of the revised NOC/PSD permit application. Staff recommended that the Council approve the reallocation of funds, and the extension of the contract completion date to June 30, 2001.

Motion: It was moved and seconded that the Council approve the contract amendment. **Action**: The motion was unanimously passed. As required, Chuck Carelli, representing Ecology abstained.

Schedule for Revised Application

(Allen Fiksdal reporting)

Staff asked Grant Bailey, of Jones and Stokes Associates (JSA), to brief the Council on the revised application submittal of Sumas Energy 2, and his review of the revised application.

Mr. Bailey received a copy of what the applicant is planning to submit for their revised application and returned comments back to the applicant on December 1. The review did not include air and noise analysis, which was to arrive on December 6, but has not been received. Based on his comments, the applicant is going to be re-writing the water supply section for the environmental report and the application. Mr. Bailey will be available to review the revised application after it's received by the Council in January. He is now reviewing the environmental

report the applicant completed. Once the air and noise sections are received, his review can be completed. JSA's budget status will be discussed at the next Council meeting in January, and he will advise the Council at that time whether they are still on track with the budget. Chair Ross expressed concern that with the air and noise sections not having been submitted to JSA yet, that the agencies would not receive a draft copy in which to comment on before the application is formally submitted.

Ms. Chaney from Dames and Moore was asked to comment. She indicated that the noise section was emailed to JSA and they have had that section for about a week. It's now only the air section that is missing. In the meetings with the agencies, she provided them with the draft document at that time.

Mr. Fiksdal informed the Council that Sumas Energy has scheduled a public meeting in Sumas on January 4, 2000, following a suggestion from the Council. All of the residents along the alternate transmission routes have been invited to attend. Chair Ross added that she has contacted all of the state agencies interested in the project and encouraged them to get involved early and start identifying issues they want pursued. She indicated that the agencies have provided good comments regarding the Council's pilot review process and she thanked the Council members for scheduling those meetings for her.

Item 6: Chehalis Generation Facility

Project Status

(Paul Margaritis reporting)

Mr. Paul Margaritis, project manager for the Chehalis Generation Facility in Lewis County, briefed the Council on the schedule for the project.

He noted that last October, the company's board of directors approved the project to proceed with construction. The company signed the purchase order for the two gas turbines and he was pleased to inform the Council that they had met the commencement of construction criteria for purposes of the PSD permit. Because they have ordered the gas turbine, there are some modifications to the site certification they will be seeking. One major modification will be regarding the cooling of the project. The certificate allows for evaporative cooling, which uses a large amount of water, however they would like to convert the project to dry cooling. They will be requesting revisions to the SCA as soon as possible so they can make the modifications that will be needed to move towards construction and operation. He stated that the modifications to the SCA would be submitted in January of 2000 with construction beginning in the spring of 2001.

Mr. Carelli of Ecology suggested to Mr. Margaritis that he make contact with the water section of Ecology as soon as possible to discuss the changes and work towards reaching an agreement regarding the modifications of the SCA he would be seeking.

Mr. Fiksdal reported to the Council that the letter that Mr. Margaritis sent to the office indicated that Chehalis Power has committed a large amount of funding to the purchase of the gas turbines, which for the purposes of the PSD permit, means they have met that obligation in the permit. He requested that the Council concur that this obligation has now been met.

Mr. John Mudge commented that he did not want the Council to change the technical aspects of the letter he received on what it takes to satisfy the requirements of the air permit and he did not think they should change it again. Chair Ross commented that what the Council was being asked to concur with was what they had decided last month and it would not change the decision they had already made.

Ms. Rose Spogen also commented that she felt, with the changes being requested to the SCA, that more public hearings should be held. Chair Ross agreed and stated the Council would have public hearings based on the number of modifications that would be requested to the SCA.

Motion: It was moved and seconded that the Council concur with the applicant that for the purposes of the PSD permit, the obligation for satisfying "commencement of construction" criteria has been met.

Action: The motion passed unanimously.

Item 7: Energy Northwest Nuclear Projects (WNP-2 and 1/4) and Satsop Combustion Turbine Project (CT)

WNP-2 Operations (Bill Kiel reporting)

Bill Kiel provided the Council with a brief update. November was a record month for WNP-2; they generated more electricity than in any prior November and also more than any 30-day month in their history. The other record set in November was for the lowest occupational radiation exposure at the plant.

As of early this morning, the plant was in its 49th day of continuous operation and was generating approximately 1160 megawatts.

Energy Northwest (ENW) signed a new incentive agreement with BPA. The agreement provides a financial incentive for ENW to further reduce the cost of power produced by plant 2. That concluded his report.

WNP-1/4 Site Restoration - Process

(Deb Ross reporting)

Chair Ross reported that the Executive Committee had discussed the issue of site restoration at the 1 and 4 sites several times following the trip to Richland and the public meeting, and as set out in a December 7th memo, had developed a series of recommendations for the Council's consideration. The proposed recommendations address issues at both WNP-1 and WNP-4 and would direct Energy Northwest to begin restoration activities immediately, while allowing redevelopment studies to continue. Chair Ross asked Mr. Kiel to comment on these recommendations.

Mr. Kiel commented that one of the items underlined in the memo is the submission of a schedule for completing initial demolition and restoration tasks to EFSEC by January 10, 2000. He pointed out that when they submitted the plan (and list of tasks) to EFSEC it was not a request for approval because they did not have a commitment from the Bonneville Power Administration (BPA) to fund proposed restoration activities. BPA has indicated that they do not

want ENW to proceed with the majority of the work on the list until they have an approved plan for dealing with both 1 and 4. There are only two of the proposed tasks that BPA has authorized ENW to proceed with; one is determining where ENW can dispose of the cooling tower asbetos fill, by either shipping it off-site or disposing of it in an on-site landfill, which would be treated as a formal amendment to the SCA. The second item is removal of temporary buildings and other structures or debris related to construction at the site. One of the recommendations state that ENW should request the Council's approval of restoration work, which Mr. Kiel stated they can do, but it presents a problem because ENW does not have funding to proceed on any of the other work items.

Mr. Carelli added that he felt, after visiting the site, that it is necessary to begin a process to address public health and safety issues in a timely manner; not waiting until reuse studies are completed. He is also interested in having restoration activities provide long-term protection for the site – beyond 50 years. Mr. Kiel replied that the actions in the recommendations are listed separately for each plan and he is certain that BPA will tell him that they want the two plants dealt with together. BPA is telling ENW that they are working to come up with a solution that works for both of these projects, where perhaps there is less than complete restoration of plant 1, which could lead to potential savings that could result in some of those funds being applied to plant 4. BPA is working with US Department of Energy-Richland Operations (USDOE-RL), and ENW to reach agreements that could lead to a plan for funding restoration activities.

Ms. Cindy Custer of BPA commented that BPA is accountable for plant 1, and they are working with the other parties to develop an approach that will provide an overall plan for dealing with the 1 and 4 site. They are willing to look at using some of the money that might be used for site 1 on site 4 if they can save money on what they do on site 1. But if it is decided to take site 1 down to ground level, that would use up most, if not all, of the available funds. BPA is also concerned about making a commitment at this time that would limit their options or present additional exposure in the future.

Chair Ross stated that she understands the dilemma Energy Northwest faces and would recommend that Energy Northwest put together a work plan in place of a schedule, that outlines the steps they intend to take for accomplishing the restoration tasks (20) identified in their plan. The work plan should allow for EFSEC review of all items, and identify those that will probably require Council approval.

Chair Ross stated her intention to meet immediately with USDOE-RL to gain a full understanding of their interests in the site. She will also pursue a meeting with BPA in mid-January.

Mr. Fiksdal added that he felt it was important that the Council be involved and know what's going on because the Council doesn't want to be in a position where BPA and USDOE-RL have come to a decision on what is to be done without the Council's input. The Council needs to stay involved throughout this process.

Mr. Doug Coleman, Energy Northwest, commented that, based on today's discussion, it was his understanding that the Council would accept a work plan describing those steps that they would

undertake to achieve restoration activities. Vice-Chair Wallis asked if it was possible for ENW to say that they are pursuing funding and based upon achieving this, other tasks could be completed. Mr. Coleman stated they could do that if that would be acceptable to the Council.

Motion: It was moved and seconded that the Executive Committee's recommendations to the Council outlined in the December 7th memo be approved, with a few minor changes (removing redundacy and changing the word schedule to work plan), and for the Chair to formally transmit them to Energy Northwest.

Action: The motion passed unanimously.

WNP-2 Emergency Exercise

(Bill Kiel reporting)

Mr. Kiel reported to the Council that the emergency drill held on December 7 and 8 indicated there were no corrective actions required and all objectives were met. He felt the drill was a good learning experience for everyone involved.

Satsop CT Air Permit Extension

(Irina Makarow reporting)

<u>Public Hearing</u>: Chair Ross opened a public hearing for the purpose of the receiving public testimony regarding the proposed extension of the Notice of Construction and Prevention of Significant Deterioration (PSD) Air Quality Permit Approval for the Satsop Combustion Project, two-unit combustion turbine natural gas-fired project. The hearing began at 2:15 p.m. at the location listed above.

Ms. Makarow, EFSEC Staff, provided background information on the proposed extension request. The US Environmental Protection Agency and Ecology PSD guidance indicate that the owner/operator of a proposed facility can obtain up to two 18-month extensions for an originally approved permit, and that this would be the second and last extension of the Satsop CT permit. If the facility hasn't started construction by the time this extension runs out, the operator will have to apply for a completely new PSD permit at that time. EFSEC staff have mailed notice to appropriate state and federal agencies, project stakeholders, and interested parties, as well as to the Council's minutes and agendas list, and have received no comments regarding this extension. Mr. Alex Piliaris from Ecology's Air Program was introduced and asked to comment regarding the technical aspects of this extension.

Mr. Piliaris commented that the Best Available Control Technology (BACT) data received by Ecology was analyzed and compared to other projects of similar types and they contacted the applicant, indicating the BACT data needed to be revised, which the applicant completed. The new data showed a reduction to the Oxides of Nitrogen (Nox) from the original limit of 500 tons to 200 tons per year, which was a substantial change. Ecology is satisfied that the permit meets federal and state requirements and is recommending approval of the permit extension.

Chair Ross asked if there was anyone present that would like to comment and no one was. The public hearing was then concluded.

Motion: It was moved and seconded that the second PSD permit extension for the Satsop Combustion Project be approved by the Council.

Action: The motion passed unanimously.

Name Change to Energy Northwest

(Mike Mills reporting)

<u>Public Hearing</u>: Chair Ross opened a public hearing for the purpose of receiving public testimony regarding the name change for Energy Northwest, from the Washington Public Power Water Supply System. This name change is being considered as a technical amendment to the WNP-2, WNP-1/4, and Satsop CT Project Site Certification Agreements (SCAs). The hearing began at 2:30 p.m. at the location listed above.

EFSEC staff stated that public notice was made by sending copies to the interested parties and Council minutes and agenda mailing list, as well as by sending an email to interested others. Only one comment was received via email, which was read to the Council. No other comments were received and no one was signed up to give testimony. Chair Ross then concluded the hearing.

Motion: It was moved and seconded to approve Resolution 293 as a technical amendment to the WNP-2, WNP-1/4, and Satsop CT Project SCAs to change the name of the certificate holder to Energy Northwest and update the names of certain projects.

Action: The motion passed unanimously.

Item 8: Council Affairs

Chair's Report

(Deb Ross Reporting)

Chair Ross invited the Council and others attending to take a tour around the EFSEC office and see the posters she has now received from member agencies.

She also informed the Executive Committee that there would be no meeting on Monday, December 20th.

Staff Report

(Allen Fiksdal reporting)

Mr. Fiksdal invited the Council to stay for the holiday celebration the staff have put together, immediately following the meeting.

Item 9: Legislation/Rules

Governor Locke issued a press release this morning regarding action on the Fuel Accident Response Prevention Team's recommendations. There are a number of items of interest to EFSEC, primarily the Governor will be asking EFSEC to work with the legislature to change the way decisions are made for siting new pipelines and energy facilities. Over the course of the next few weeks there will be discussions regarding how to approach this task that will be assigned by the Governor.

Chair Ross noted the Executive Committee decided to recommend to the Council that if this task force was formed that the rule making planned for this year is not necessary because of possible changes to EFSEC laws. The Council agreed.

Item 10: Other

Ecology Air Program Support: The Department of Ecology is facing a cutback in the Air Program because of the impacts of I-695. EFSEC relies on Ecology's Air Program for air permitting services associated with applications and SCAs. The Council has contracts with Ecology for about \$34,000 just for this fiscal year. EFSEC staff feel its very important that the support from that program continue and staff has had talks with Ecology to discuss offering financial support to sustain Ecology staff working on EFSEC matters. Staff will continue to pursue this with the department.

<u>Creston Generation Facility – Water Wells:</u> Mr. Fiksdal noted that some of the Council members might recall the Creston Coal Fired Facility that was issued a SCA by the Council in 1983. As part of the termination of the SCA one of the issues still remaining with this site was the water wells and a requirement that the company abandon the water wells in accordance with Department of Ecology's regulations. During the SCA termination process in 1993, the company asked the Council if they could work with the Park Service, who owns the property along the river, to transfer the wells to them. The transfer is finally completed. Now that the final action has been completed, the Council recommended that a resolution be prepared, completing termination of the SCA. Staff stated they would have a resolution ready for the Council's consideration at the next Council meeting.

<u>CTED Restructuring</u>: The Council had previously authorized Chair Ross to send a recommendation to CTED indicating its preference that EFSEC staff stay with the Energy Division as part of the proposed CTED split. The recommendation also included a request that once the agency is split, that both new agencies be represented on the Council. The recommendation of the CTED Director is now out for stakeholder review and it shows that Energy Policy will move to DTED and EFSEC will move to DCD. The Director's recommendation also states that Energy Policy and EFSEC will be co-located and that there will be an MOU drafted to ensure a continued close working relationship.

Item 11: Adjourn

The meeting adjourned at 3:30 p.m.

NEXT MEETING: The next Council meeting is scheduled for January 10, 2000, at the Rowe Six Conference Center – Building 1, 4224 Sixth Avenue SE, Lacey, WA.